



# WASHOE COUNTY

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CM/ACM \_\_\_\_\_

Finance \_\_\_\_\_

DA \_\_\_\_\_

Risk Mgt. – N/A

HR \_\_\_\_\_

Other \_N/A\_

## STAFF REPORT

BOARD MEETING DATE: January 12, 2016

**DATE:** December 21, 2015

**TO:** Board of County Commissioners

**FROM:** Mark Mathers, Budget Manager  
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Mary Solorzano, Acting Comptroller  
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**THROUGH:** Joey Orduna Hastings, Assistant County Manager  
(775) 328-2017, [jhastings@washoecounty.us](mailto:jhastings@washoecounty.us)

**SUBJECT:** Recommendation that the Board of County Commissioners approve a policy directing staff to request quarterly reimbursement of the Health Benefits Fund's full cost of retiree health benefits from the Washoe County, Nevada OPEB Trust Fund. (All Commission Districts)

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### SUMMARY

On May 11, 2010, in accordance with Nevada Revised Statutes (NRS) 287.017, Washoe County established the Washoe County, Nevada OPEB Trust Fund ("Trust"), an irrevocable trust fund, for the purpose of providing benefits to retirees and their spouses and eligible dependents. In fiscal years 2009-10 and 2010-11, the County sought reimbursement from the Trust for the total cost of the retiree health benefits program; that is, for the cost of retiree insurance premiums as well as claims expenses in excess of premiums. Beginning in fiscal year 2011-12, a change was made to this practice and the County only sought reimbursement from the Trust for the cost of retiree insurance premiums. The County's financial management team is now recommending a return to the previous practice of seeking full reimbursement of the cost of the retiree health benefits program from the Trust.

Washoe County Strategic Objective supported by this item: Stewardship of our Community.

### PREVIOUS ACTION

- Through negotiations with Washoe County employee associations, the Board of County Commissioners agreed to prefund the retiree health benefits program annually at an actuarially-determined current cost beginning July 1, 1996.

AGENDA ITEM # 8.H.1.

- June 24, 1997 - the Board of County Commissioners approved a resolution creating the Pre-Funded Retiree Health Benefits Fund to accumulate sufficient funds to help pay future retiree health benefits. The Board of County Commissioners approved budgeted transfers from the General Fund to the Pre-Funded Retiree Health Benefits Fund each fiscal year from 1997 -2009.
- On May 11, 2010 the Board of County Commissioners created the Washoe County, Nevada OPEB Trust Fund, an irrevocable trust which replaced the Pre-Funded Retiree Health Benefits Fund. Funds totaling approximately \$73 million which had been accumulated in the Pre-Funded Retiree Health Benefits Fund were transferred to the Trust in fiscal year 2010.
- Annually from fiscal year 2010 to present - The County's final budget has included transfers from the General Fund to the OPEB Trust. Funds accumulated in the Trust may only be used to provide for post-employment welfare benefits, as set forth in the Trust Agreement.
- April 14, 2015 - the Board of County Commissioners authorized staff, as directed by the Comptroller's Office, to request reimbursement from the Trust to the Health Benefits Fund on a quarterly basis. All such requests will be reviewed and ratified by the Board of County Commissioners at least annually.

### **BACKGROUND**

In accordance with Nevada Revised Statutes (NRS) 287.017, on May 11, 2010, Washoe County established an irrevocable trust fund, the Washoe County, Nevada OPEB Trust Fund ("Trust"), for the purpose of providing health and welfare benefits to retirees and their spouses and eligible dependents. Retirees are offered medical, prescription, vision, life and dental insurance.

Prior to fiscal year 2011-12, the Health Benefits Fund was reimbursed by the Trust for the total cost of the retiree health benefits program (i.e. for the cost of retiree insurance premiums as well as claims expenses in excess of premiums). Beginning in fiscal year 2011-12, a change was made to this practice and the County only sought reimbursement from the Trust for the cost of retiree insurance premiums. During this time, the Health Benefits Fund has borne the excess (unreimbursed) cost of the retiree health benefits program. In fiscal year 2014-15, this excess totaled \$2.4 million. The County's current financial management team is recommending that the County return to the previous practice of fully reimbursing the Health Benefits Fund for the cost of the retiree health benefits program. Staff have consulted with the firm that prepares the County's actuarial reports and have confirmed that such reimbursement will not adversely impact the annual required contribution (ARC).

At this time, staff recommends that the Board of County Commissioners establish a formal policy directing the Comptroller's Department to submit quarterly requests to the Washoe County, Nevada OPEB Trust Fund Board of Trustees for the preceding quarter's full cost of the retiree health benefits program. Legal counsel for the Trust has advised that the Board of County Commissioners may approve such transfers in advance, with subsequent review and ratification at least annually. This change was proposed in order to

avoid having to seek the Board's approval of transfers on a quarterly basis, and was approved by the Board on April 14, 2015.

**FISCAL IMPACT**

Approval for staff to seek reimbursement of the full cost of the retiree health benefits program will increase revenue in the Health Benefits Fund, thereby assisting the County in meeting its long-term obligations to retirees.

**RECOMMENDATION**

It is recommended that the Board of County Commissioners establish a formal policy directing the Comptroller's Department to submit quarterly requests to the Washoe County, Nevada OPEB Trust Fund Board of Trustees for the full cost of the retiree health benefits program for the preceding quarter.

**POSSIBLE MOTION**

Should the Board agree with staff's recommendation, a possible motion would be: "Move to establish a formal policy directing County staff to request reimbursement from the Washoe County, Nevada OPEB Trust Fund for the full cost of the retiree health benefits program on a quarterly basis."